

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6281**

**BILL NUMBER: SB 276**

**NOTE PREPARED:** Nov 26, 2012

**BILL AMENDED:**

**SUBJECT:** Residential Insurance.

**FIRST AUTHOR:** Sen. Young R

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** X **GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill prohibits an insurer from canceling or refusing to issue, deliver, or renew a residential policy solely because more than one insurance claim has been filed for damage to the property caused by an act of God.

**Effective Date:** July 1, 2013.

**Explanation of State Expenditures:** As a result of this bill, insurers who are found to have cancelled or refused to issue, deliver, or renew an insurance policy due to multiple claims filed for damage caused by an act of God would be subject to penalties prescribed in current law for an unfair and deceptive act. To the extent insurance providers are found to have engaged in unfair and deceptive acts, this bill could increase workload of the Department of Insurance (DOI) to investigate allegations and provide adjudicative proceedings to determine if an unfair or deceptive act has been committed.

**Explanation of State Revenues:** *Insurance Premium Tax:* As a result of this bill, insurance providers may increase premiums on individuals who have filed more than one claim where damage was caused by an act of God if they are prohibited from cancelling or refusing to issue, deliver, or renew an insurance policy. It is not known by how much these insurance premiums may increase. However, if this bill results in higher insurance premiums paid in the state, the bill may also result in additional revenue from taxes paid on insurance premiums. Revenue received from the insurance premium tax is distributed to the General Fund. Actual increases in state revenue from increased insurance premiums are indeterminable, but likely small.

*Unfair and Deceptive Act:* If this bill increases the number of unfair and deceptive acts discovered by the

Department of Insurance, revenue to the General Fund could increase from civil penalties paid by violators. The penalty for engaging in an unfair and deceptive act is one or more of the following: (1) a civil penalty between \$25,000 and \$50,000 for each act or violation and (2) revocation of a person's license or certificate of authority if they knowingly engaged in an unfair or deceptive act. Actual increases in revenue are unknown.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** DOI.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Bill Brumbach, 232-9559.